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SUBJECT: VIETNAM: AMBASSADOR'S FAREWELL CALL ON MPI MINISTER

SENSITIVE BUT UNCLASSIFIED PROTECT ACCORDINGLY

1. (SBU) SUMMARY: On September 3 the Ambassador, accompanied by Econ/C, paid a farewell call on Minister of Planning and Investment Vo Hong Phuc. The Minister expressed his appreciation for the Ambassador's contributions to US-Vietnam relations. The Ambassador raised a number of concerns. Phuc said that he hoped to make a deal on the bilateral assistance framework soon. Phuc said that MPI and the GVN were considering the auto tariff issue and that he was giving instructions for a solution on the McCullagh coffee joint venture. On the Danao villa issue, MPI, MOF and OOG have agreed on an appropriate solution (i.e. expenses for repair to the villas would be added to the joint venture investment) and will soon be working with the parties directly. On Tricore, Phuc said he would discuss the situation with the Ministry of Transport, but did not directly reply to the Ambassador's letter calling for a meeting of various concerned parties. END SUMMARY.

2. (SBU) On September 3 the Ambassador, accompanied by Econ/C, paid a farewell call on Minister of Planning and Investment Vo Hong Phuc. The Minister began by noting that he regretted the Ambassador's imminent departure and expressing appreciation for the Ambassador's help in developing relations between MPI and the USG and the U.S. and Vietnam.

2. (SBU) The Ambassador responded by thanking the Minister for his close cooperation with the Embassy, and especially during his trip to Washington and New York the previous fall. That trip had been productive and given the two of them a chance to get to know one another better, the Ambassador said. He noted that the US-Vietnam commercial relationship had made great progress in the past three years and provided a solid base for improvements in other areas of the relationship. Even US investment to Vietnam has risen according to new data. Preliminary results of a joint study by MPI and Star show that US-related investment is higher than previously estimated. More important they show a rise in implemented investment by US related firms in 2003 thus demonstrating the contribution of trips like Phuc and Deputy Prime Minister Vu Khoan to the US as well as those by the US-ASEAN Business Council to Hanoi. The word is out that Vietnam is creating the right conditions for quality investment. There is more to be done, but Vietnam is on the right track, the Ambassador said.

3. (SBU) Phuc commented that both the US and Vietnam had been promoting the bilateral relationship over the past year and that relations had developed significantly. US investment had risen significantly, especially if one included US-related firms that invested through Singapore subsidiaries in the total. In 2004 many events gave hope for even more US investment, in particular, the US-ASEAN business council which recognized Vietnam's potential during its visit in the summer. Other major business groups were interested in investing in Vietnam, he remarked. Vietnam is very interested in the US as a source not only of capital but also of technology. He was glad Boeing was considering investing in Vietnam and that US insurance firms were also interested in investing here, he noted. He said that the GVN appreciated the Ambassador's efforts and contributions such as setting up the high level visit to the US by the DPM, the Minister himself and others. Phuc noted that his trip had been impressive and had given him a chance to understand better US firms. Phuc went on to say that his trip had helped increase mutual understanding between the two countries as well as between him and the Ambassador. It had been one of his favorite trips abroad, the Minister observed.

4. (SBU) Commenting that he would be leaving some unresolved issues to his successor, the Ambassador enumerated them for Phuc. They are the auto tariff/tax issue, the Danao investment in Dalat (where the latest news is that MPI is going with MOF to try to resolve the issue), Tricore (the Hanoi third ring road project which the

Ambassador had written to the Minister about the previous month and suggested a meeting among MPI, the Ministry of Transport, Tricore and the Office of the Government to resolve the issue), and the McCullagh joint venture coffee firm. The Ambassador expressed his appreciation to the Minister for his attention and efforts to resolve these issues and said he would leave them to his successor and the Minister to resolve.

15. (SBU) The Ambassador went on to encourage the Minister to reach an agreement on the bilateral assistance framework where the sole outstanding issue is taxation of items used by NGOs on contract to the USG. The USG has sent a proposed compromise to the GVN and is awaiting a reply. Now would be an opportune time to make a deal since US assistance from USAID is likely to reach USD20 million and it will be hard to work without an agreement which we have with most other countries, he stressed.

16. (SBU) The Minister replied that his government appreciated the assistance especially on HIV/AIDs programs. He agreed that completing a bilateral agreement would provide a solid legal basis for assistance. Noting that taxation was the sole outstanding issue, he said he hoped to reach an agreement soon since the GVN has such agreements with many other countries.

17. (SBU) On autos, Phuc said that many investors had commented that the tariff and tax would limit the sale and production of cars and the development of the industry. MPI and the GVN are considering the issue. On the McCullagh coffee joint venture, Phuc said he was giving instructions for a solution. On the Danao villa issue, MPI and the Ministry of Finance and the Office of the Government had agreed on an appropriate solution that would be in both sides' interest. The GVN entities would soon be working with the parties directly. Asked to explain the solution, Phuc said that expenses for repair to the villas would be added to the joint venture investment. Since the villas are the center of the dispute where MPI is trying to focus the solution that he expected would be fair to both parties, Phuc said. The Ambassador said that if the investor concerned received a fair settlement the investor would probably invest more. Phuc called the construction of the ring road an urgent matter. He said that he had asked MPI to get the US firm involved in another project in lieu of the ring road. He noted that the US firm wanted to construct the entire project but that many areas included in the original proposal included city streets or bridges. If these were included in the BOT, it would be difficult to collect tolls. The Minister did not reply to the Ambassador's proposal to discuss the issue among the parties concerned, but said he would talk to Ministry of Transport. The Ambassador said that he could not speak for Tricore, but that it sounded as though the firm stood to lose a lot of the money they had invested in the feasibility study. There needs to be more discussion of this proposal he added. The Ambassador said he would brief his successor on these and other issues such as the Vinasat satellite procurement, Boeing and the Son La power project. The Minister said that the Ambassador had left a good impression and good memories.

BOARDMAN